

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 STR-04
CEA-01 IGA-02 /107 W
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R 201730Z JUL 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6313
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
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USEEC ALSO FOR EMBASSY
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DEPARTMENT PASS LABOR, TREASURY AND FRB

E.O. 11652: N/A
TAGS: ELAB, PINT, UK
SUBJECT: PAY POLICY: COLD COMFORT FROM THE TUC

REF: LONDON 11616

BEGIN SUMMARY. THE TUC TOP ECONOMIC POLICY COMMITTEE
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GAVE COLD COMFORT YESTERDAY (JULY 19) TO THE GOVERNMENT
WHEN IT MERELY NOTED WITHOUT ENDORSEMENT CHANCELLOR OF
THE EXCHEQUER DENIS HEALEY'S CALL FOR SINGLE DIGIT PAY
SETTLEMENTS IN THE POST STAGE II PERIOD, WHICH BEGINS
AUGUST 1. THE TUC, HOWEVER, REITERATED ITS SUPPORT
FOR UNION ADHERENCE TO STAGE II SETTLEMENTS AND ASKED
FOR PUBLIC TRUST THAT THE UNIONS WILL MODERATE THEIR

POST STAGE II DEMANDS. HOWEVER, THE PRIME MINISTER IS PLAINLY WORRIED ABOUT THE DANGER THAT SOME UNIONS MAY, IN THE MONTHS AHEAD, THROUGH EXCESSIVE WAGE DEMANDS, UNDERMINE THE GOVERNMENT'S HOPES FOR EVEN A SEMBLANCE OF VOLUNTARY WAGE RESTRAINT FROM THE UNIONS. END SUMMARY.

1. THE TUC ECONOMIC COMMITTEE DECIDED YESTERDAY (SUBJECT TO CONFIRMATION BY ITS GENERAL COUNCIL AND ULTIMATELY THE TUC CONGRESS IN SEPTEMBER) NOT TO PROVIDE ANY WAGE LEVEL GUIDANCE TO THE UNIONS IN THE POST STAGE II PERIOD AND INSTEAD IT MERELY TOOK NOTE OF THE GOVERNMENT'S TARGET OF KEEPING EARNINGS INCREASES BELOW 10 PERCENT IN THE TWELVE MONTHS PERIOD FROM AUGUST 1. HOWEVER, THE TUC DID REITERATE ITS INSISTENCE THAT AFFILIATED UNIONS SHOULD ADHERE TO STAGE II PAY AGREEMENTS, WHICH INCLUDES OBEDIENCE TO THE RULE THAT THERE SHOULD BE A TWELVE-MONTH PERIOD BETWEEN SETTLEMENTS AND THAT UNIONS WHICH HAVE NOT YET SETTLED UNDER STAGE II SHOULD PROCEED TO DO SO. MOREOVER, THE COMMITTEE URGED UNIONS NOT TO TRY TO CATCH UP WITH INFLATIONARY PRICE RISES SINCE 1974.

2. THE TUC, ACCORDING TO ONE OF ITS OFFICIALS, HAS "DONE THE BEST IT COULD ACHIEVE UNDER THE CIRCUMSTANCES". HE SAID THE TUC DID NOT WANT TO CRITICIZE THE GOVERNMENT'S LIMITED OFFICIAL USE

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MENT, OR ADD TO ITS WOES -- ESPECIALLY ON THE EVE OF THE COMMONS DEBATE ON ECONOMIC POLICY TODAY (JULY 20 -- ALTHOUGH THE GOVERNMENT IS EXPECTED TO OBTAIN A COMFORTABLE MAJORITY IN FAVOR OF ITS POLICIES). AT THE SAME TIME, HE ADDED, THE TUC DOES NOT WANT TO BE COMMITTED TO A SINGLE FIGURE WAGE TARGET AS THE CHANCELLOR HOPED.

3. BUT PRIME MINISTER JAMES CALLAGHAN IS CLEARLY WORRIED THAT A NUMBER OF UNIONS WILL BE PRESSING VERY HARD FOR WAGE SETTLEMENTS WELL IN EXCESS OF GOVERNMENT PAY TARGETS. HE VOICED HIS CONCERNS TO THE EMBASSY LABOR ATTACHE DURING THE MINERS' GALA IN DURHAM JULY 15-16 AND INDICATED HE MAY CONSIDER A MAJOR PERSONAL EFFORT TO PERSUADE UNION LEADERS AT MIDDLE LEVEL AS WELL AS RANK-AND-FILE WORKERS THAT IT IS ABSOLUTELY ESSENTIAL THAT THEY MODERATE THEIR WAGE DEMANDS LEST THERE BE A REPETITION OF THE RUNAWAY INFLATION OF 1974. LEN MURRAY, TUC GENERAL SECRETARY, SPEAKING TO THE PRESS YESTERDAY ALSO REFLECTED THE CONCERN OF HIS TRADE UNION COLLEAGUES ON THE ECONOMIC COMMITTEE THAT "IT WOULD NOT BE EASY" EVEN TO MAINTAIN UNION ADHERENCE TO STAGE II.

5. THE CONCERN OF GOVERNMENT AND RESPONSIBLE TRADE UNION LEADERSHIP IS JUSTIFIED, IN OUR VIEW. ALREADY A NUMBER OF UNIONS -- LARGE AND SMALL -- ARE SIGNALLING THEIR READINESS TO EITHER BREACH EVEN STAGE II OR ARE PLANNING POST STAGE II WAGE DEMANDS WHICH ARE FAR IN

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EXCESS OF THE GOVERNMENT'S TARGETS. THE 23,000 MEDICAL PRACTITIONERS IN BRITAIN FOR EXAMPLE ARE CHALLENGING BOTH THE STRICTURE AGAINST REOPENING WAGE DEMANDS BEFORE THE TWELVE MONTHS PERIOD IS UP AND ALSO ASKING FOR A 15 PERCENT WAGE INCREASE. MINERS HAVE ALREADY CALLED FOR A NEW WEEKLY WAGE OF 135 POUNDS STARTING FROM NOVEMBER, WHICH IS WELL IN ADVANCE OF THE

EXPIRATION OF THEIR CURRENT AGREEMENT NEXT MARCH AND FAR
IN EXCESS OF 10 PERCENT. FORD WORKERS ARE SEEKING A
15 PERCENT INCREASE, ALTHOUGH THEIR DEMANDS, SINCE
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THEY ALSO SEEK TO INCORPORATE THE LAST TWO WAGE SETTLE-
MENTS INTO THE BASIC WAGE RATE, ARE ESTIMATED TO FORM
A 25 PERCENT CLAIM.

5. SOME UNIONS, LIKE THE MERCHANT MARINE OFFICERS,
ARE TRYING TO DEFER SETTLING UNDER THE RESTRICTIVE
CONDITIONS OF STAGE II. THE LONG LINE OF UNION NE-
GOTIATORS IS NOW FORMING (A LIST OF MAJOR UNION NEGO-
TIATIONS DURING THE NEXT TWELVE MONTHS IS BEING SENT BY
AIRGRAM). THOSE IN THE PUBLIC SECTOR, OF COURSE, ARE
UNDER FAR GREATER PRESSURE FROM THE GOVERNMENT, AS
EMPLOYER, TO ACCEPT WAGE SETTLEMENTS WITHIN GOVERNMENT
LIMITS. ALTHOUGH SOME WORKERS IN THIS SECTOR MAY STILL
RESIST. BUT HOW CAN THE GOVERNMENT FORCE THE UNIONS
WITH MUSCLE IN THE PRIVATE SECTOR TO CONFORM SIMPLY
TO ITS EXHORTATIONS OR TO THE RELATIVE MODEST CALLS FOR
MODERATION WHICH ARE EMANATING FROM THEIR OWN LEADER-
SHIP? WITH THE FORMAL END OF STAGE II AT THE END OF
THIS MONTH, IT IS NOT SURPRISING THAT MEDIA ATTENTION
IS FOCUSED ON THOSE CLAIMS WHICH ARE FAR IN EXCESS OF
THE CHANCELLOR'S PAY TARGET. HOWEVER, THE LINES
OF BATTLE ARE NOT YET CLEARLY DRAWN. THE WAY IN WHICH
THE GOVERNMENT AND THE PRIVATE SECTOR DEAL WITH THE
EARLY CLAIMS OF THE BARGAINING YEAR WILL OF COURSE
STRONGLY INFLUENCE THE PATTERN OF LATER SETTLEMENTS.
IT WILL BE A CRITICAL AUTUMN AND WINTER.

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